



Presentation to the House Committee on Human Services: HHSC Overview

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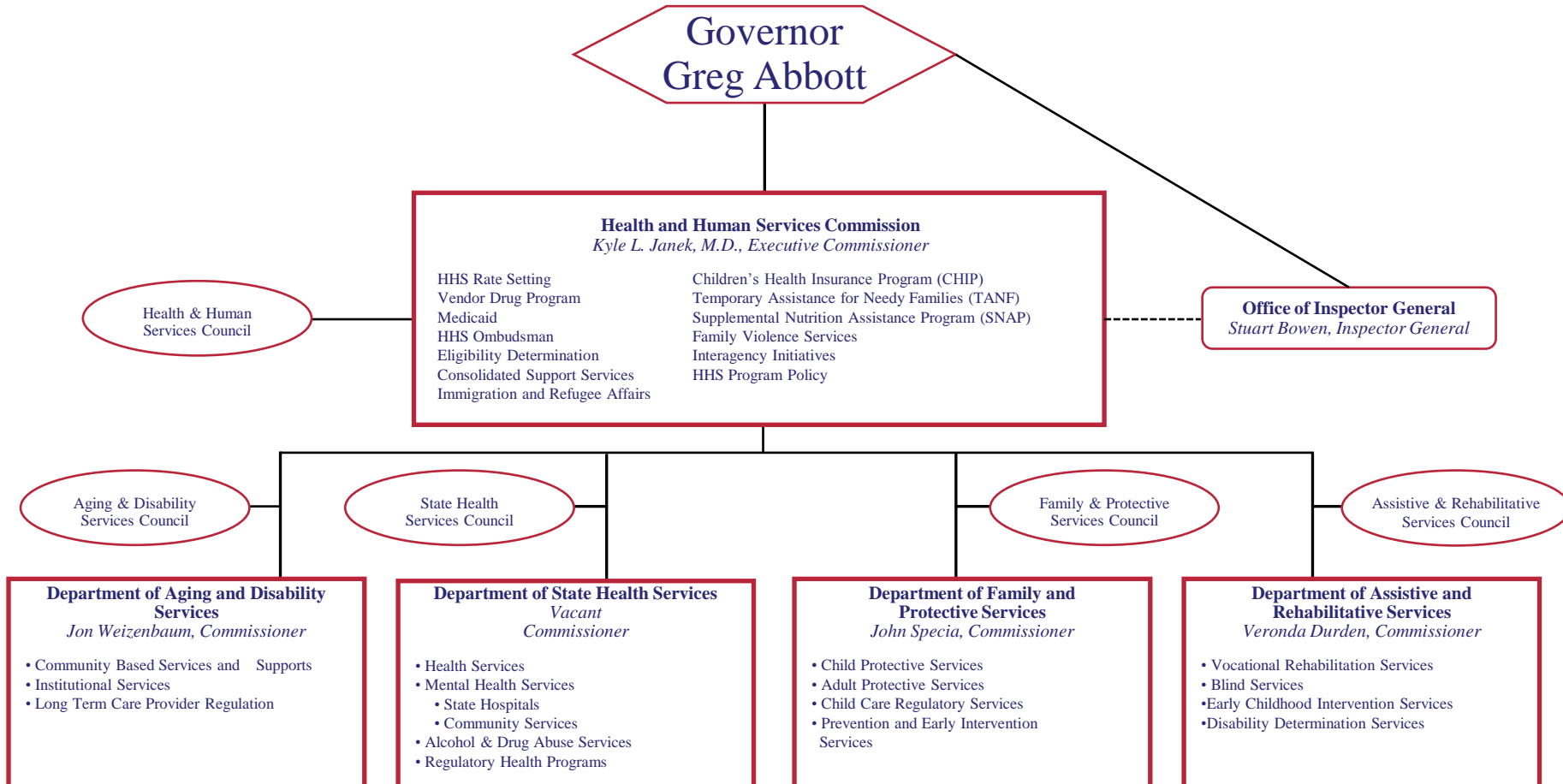
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Texas HHS Overview

- The Texas health and human services system includes five agencies, four of which operate under the oversight of the Health and Human Services Commission.
- Together, these five agencies administer more than 200 programs ranging from Medicaid to Child Protective Services to regulatory and licensing functions.

HHS Organization



HHSC Mission Statement and Key Functions

“The mission of HHSC is to maintain and improve the health and human services system in Texas and to administer its programs in accordance with the highest standards of customer service and accountability for the effective use of funds.”

HHSC Programs

- Texas Medicaid
- Children’s Health Insurance Program
- Temporary Assistance for Needy Families
- Supplemental Nutrition Assistance Program
(formerly the Food Stamp Program)
- Texas Women’s Health Program
- Texas Home Visiting Program
- Medical Transportation Program
- 2-1-1 Texas Information and Referral Network
- Family Violence Program
- Immigration and Refugee Affairs
- Alternatives to Abortion
- Healthy Marriage Program – Twogether in Texas
- Disaster Assistance
- Disaster Case Management

HHS Functions

- Eligibility Determination
- Medicaid and CHIP Operations
- System Planning and Evaluation
- Policy Development and Rule-making
- Oversight and Investigation
- Fraud and Abuse Prevention and
Detection
- Ombudsman Services
- Center for Elimination of
Disproportionality and Disparities
- Border Affairs
- Early Childhood Coordination

HHSC Program Overview

- Medicaid and Children's Health Insurance Program (CHIP)
- Temporary Assistance for Needy Families (TANF)
- Supplemental Nutrition Assistance Program (SNAP)

Medicaid/CHIP: Overview

- Medicaid is a jointly funded state-federal program, with approximately 60 percent of costs covered by the federal government and 40 percent of costs covered by the state for most services. Medicaid provides health coverage to children and adults who are low income and have disabilities. CHIP is also a jointly funded program that provides health coverage to children and pregnant women.
- At the federal level, Medicaid and CHIP are administered by the Centers for Medicare and Medicaid Services (CMS) within the U. S. Department of Health and Human Services.
- At the state level both programs are administered by the Health and Human Services Commission (HHSC).
- Federal laws and regulations
 - Require coverage of certain populations and services
 - Allow states to cover additional populations and services
- Unlike the Medicaid Program, CHIP is not an entitlement program.
 - Thus, the state sets age and income eligibility, service levels, and delivery systems for CHIP – subject to approval of the federal government.

Who Do Medicaid and CHIP Serve?

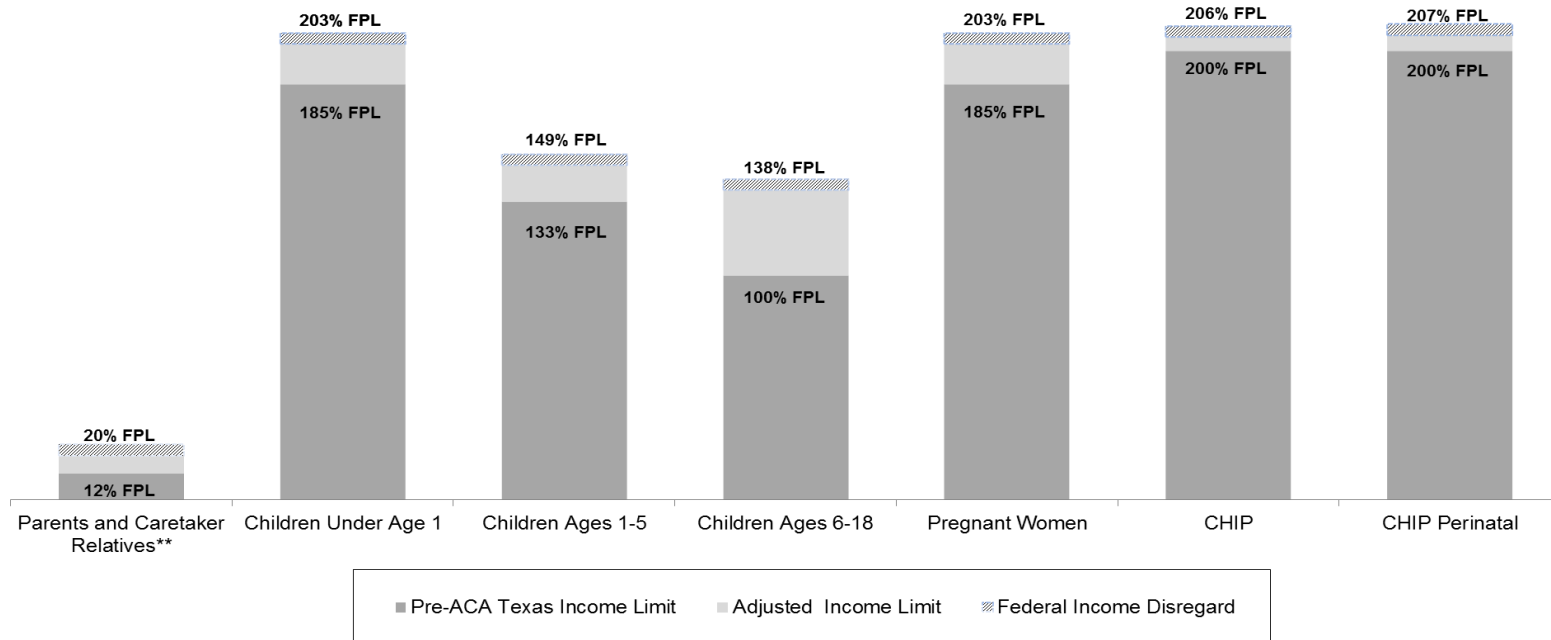
- Texas Medicaid serves:
 - Low-income families
 - People who are elderly
 - People with disabilities
 - Persons receiving cash assistance through TANF
- Medicaid and CHIP serve:
 - Children up to age 19, who are not already insured
 - Pregnant women
- Texas Medicaid and CHIP do not serve:
 - Adults without children or disabilities under the age of 65

Medicaid/CHIP: Eligibility

- Eligibility is financial and categorical.
 - Eligibility factors include family income, age, and other factors such as being pregnant or having a disability.
 - For example, children receiving SSI cash assistance are automatically eligible.
- Applicants must be U.S. citizens or qualified aliens and a resident of Texas.
- Eligibility criteria specific to CHIP:
 - Uninsured for at least 90 days (with some exceptions)
 - Higher income limits

Medicaid/CHIP: Income Eligibility Levels

Income Limits for Medicaid & CHIP Programs*



2014 Federal Poverty Levels: Monthly Dollar Amounts

| | <u>100% FPL</u> | <u>133% FPL</u> | <u>200% FPL</u> |
|------------------|-----------------|-----------------|-----------------|
| Family Size of 3 | \$1,650 | \$2,194 | \$3,299 |

* Effective January 1, 2014, the Affordable Care Act (ACA) required states to: (1) use tax methodologies (Modified Adjusted Gross Income) to determine eligibility for most Medicaid programs and the Children's Health Insurance Program (CHIP); (2) eliminate most income disregards, such as dependent care expenses; (3) adjust income limits to account for MAGI changes; and (4) apply a new federal income disregard equal to 5 percentage points of the federal poverty level.

** Based on two-parent family, family size of three.

Medicaid: Mandatory Services

- Federal law requires that all state Medicaid programs pay for certain services. The following are mandatory services:
 - All medically necessary services for children including medical history, complete physical exam, assessment of nutritional, developmental and behavioral needs
 - Access to Federally Qualified Health Centers (FQHCs) and Rural Health Centers
 - Home health care
 - Lab and X-ray
 - Nursing facility care
 - Pregnancy-related services
 - Physician services
 - Certified Nurse Midwife services
 - Certified Pediatric and Family Nurse Practitioner services
 - Inpatient and outpatient hospital
 - Family planning

Medicaid: Optional Services

- The state may choose to provide some, all, or no optional services specified under federal law.
- Optional services provided in Texas include services such as:
 - Prescription drugs
 - Physical therapy
 - Occupational therapy
 - Targeted Case Management
 - Some rehabilitation services
 - Certified Registered Nurse Anesthetist
 - Eyeglasses/contact lenses
 - Hearing aids
 - Services provided by podiatrists
 - Certain mental health provider types

Medicaid/CHIP: Delivery Models

The Texas Medicaid program provides services to Medicaid eligibles through different “delivery models”.

- Fee-for-Service (Traditional Medicaid)
 - Texas Medicaid pays for services to clients by enrolling providers who contract with Medicaid to provide services on a fee-for-service basis.
 - In FY 2013, approximately 18% of Medicaid clients received services on a fee-for-service basis.
- Managed Care:
 - Medicaid Managed Care Programs in Texas:
 - STAR (State of Texas Access Reform) – Acute Care HMO
 - STAR+PLUS – Acute & Long-Term Services and Supports HMO
 - NorthSTAR – Behavioral Health Care HMO
 - STAR Health – Comprehensive managed care program for children in Foster Care
 - Children’s Medicaid Dental Services
 - CHIP services are delivered through managed care solely.

CHIP: Cost Sharing

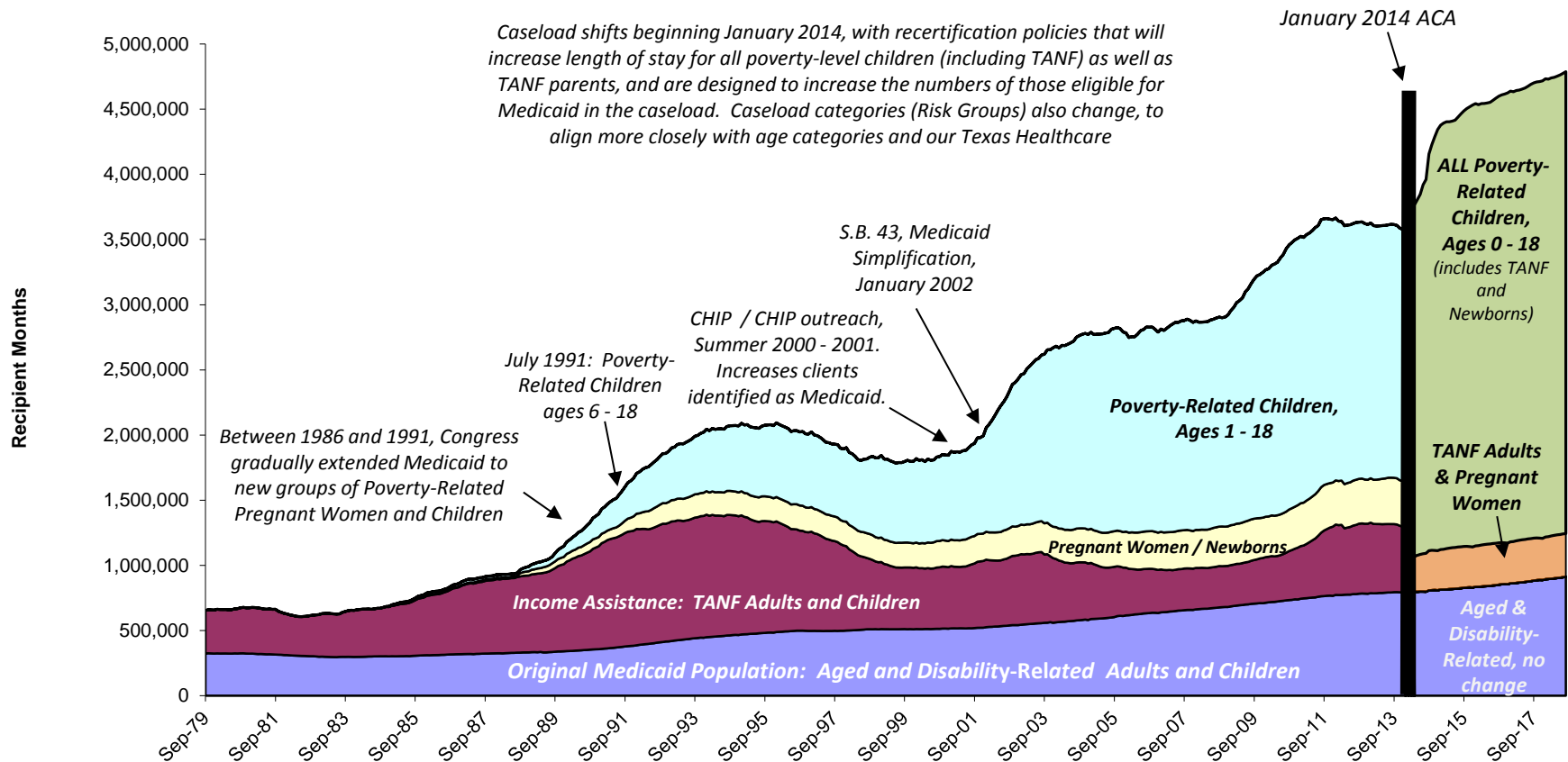
- CHIP has annual enrollment fee and co-payment requirements for most clients which vary based on family income levels.
 - Enrollment fees per family do not exceed \$50 for each twelve-month term of eligibility
 - \$0 for households with net income at or below 150% FPIL
 - \$35 for households with net income above 150% up to and including 185% FPIL
 - \$50 for households with net income above 185% up to and including 200% FPIL
- There are no enrollment fees or co-payment requirements in the Medicaid program.

Program Administration: Medicaid State Plan and Waivers

- Each state has a State Plan that constitutes that state's agreement with the federal government.
- State Plan Amendment (SPA):
 - Required to change existing optional coverages or other components of the program
 - Must be submitted to CMS for approval
 - Must be approved by CMS to ensure the federal matching funds will be provided to the program
- Federal law allows states to apply to CMS for permission to deviate from certain Medicaid program requirements through waiver applications.
- Examples include the 1115 Transformation Waiver, 1915(b) waivers, and 1915(c) home and community-based waivers.

Texas Medicaid: Caseload

Texas Medicaid Caseload by Group, September 1979 - August 2018

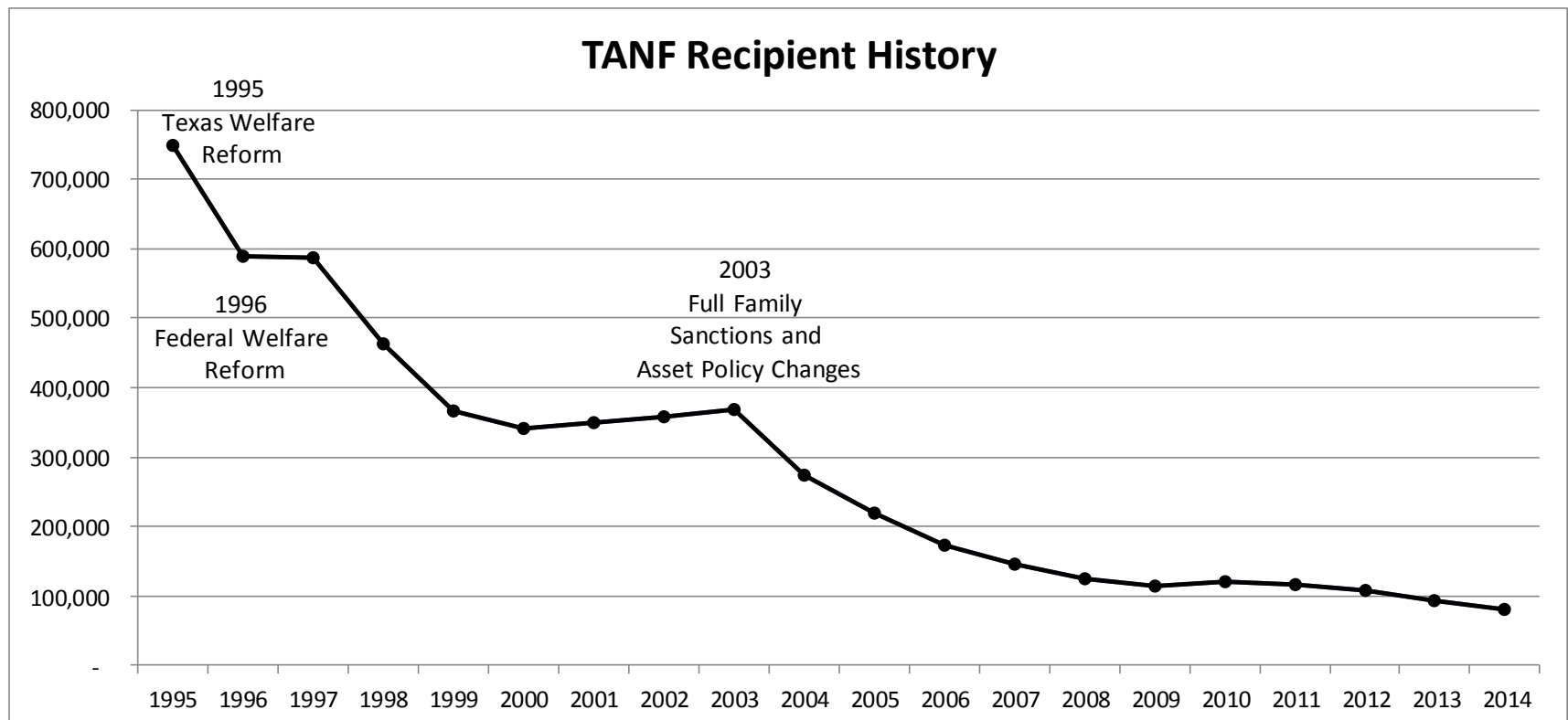


TANF Overview

- Federal and State governments have a role in the design and funding of the TANF program:
 - At the federal level, the U.S. Department of Health and Human Services, Administration for Children and Families (ACF) regulates the program.
 - In Texas, administration of the program is shared between HHSC and TWC.
 - HHSC is responsible for TANF eligibility determination, eligibility-related policies and making cash assistance payments.
 - TWC is responsible for work-related policies and for delivering employment services through local workforce development boards.
- TANF is funded by both state and federal funds:
 - Federal funds are given to the State in the form of a TANF block grant and the Legislature appropriates the funding for allowable purposes.
 - For Fiscal Year 2014, a total of \$495.3 million in block grant funding was appropriated.
 - \$26.8 million or 5.4% was allocated for TANF cash assistance.
 - Other uses of the TANF block grant include child protective services staff, child care, and employment assistance for TANF recipients.

TANF Cash Assistance Caseload

In State Fiscal Year 1995, the average monthly number of recipients was almost 750,000. In 2014, the average is just under 80,500.



TANF Eligibility

- The most common form of TANF cash assistance is a monthly grant. The amount of the grant is based on family size and income. Eligibility requirements include:
 - Texas residency
 - U.S. citizen or eligible documented immigrant
 - Having a child under age 18 living in the home
 - Cooperating with Personal Responsibility Agreement, including work requirements
 - Income limit of approximately \$188 per month/\$2,256 per year for a parent with two children
 - Asset limit of \$1,000
 - Benefits are time-limited

TANF Benefits Amounts

- The maximum benefit amount (currently 17% of Federal Poverty Limit) is established by HHSC Rider 25 in Article II of the General Appropriations Act.
 - The maximum monthly benefit for a household with one parent and two children is \$277.
- In June 2014:
 - The average monthly benefit amount for each recipient was \$73.
 - The average monthly benefit amount for each case was \$171.

SNAP Overview

- The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, is an entitlement program that provides a monthly benefit to qualified applicants.
 - Benefits can be used to purchase eligible food items from participating retailers.
 - The United States Department of Agriculture (USDA) defines eligible items as food items intended to be eaten at home, and seeds and plants that can be grown to provide food for the family – hot, prepared foods are not eligible.
 - SNAP benefits are provided through the Lone Star Card, an electronic benefit transfer card that is similar to a debit card.
- SNAP Administration
 - USDA Food and Nutrition Service (FNS) oversees SNAP.
 - SNAP in Texas is administered by the Health and Human Services Commission.
 - HHSC is responsible for eligibility policy and determination, and benefit administration.
 - Texas Workforce Commission (TWC) is responsible for work-related policy and employment services.

SNAP Funding

- SNAP benefits are:
 - 100 percent federally funded
 - The estimated value of benefits provided in fiscal year 2014 is \$6.0 billion.
 - Allotment amounts to households are established at the federal level
 - For example, the maximum monthly SNAP allotment for a family of three is \$526.
- The administrative costs are:
 - 50 percent federally funded
 - 50 percent state funded

SNAP Eligibility

- Eligibility criteria is federally defined.
- Households must meet gross and net monthly income tests.
 - For example, the maximum gross monthly income for a family of three is \$2,625.
- Most households may have up to \$5,000 in countable resources (e.g., checking/savings account, cash).
- Legal immigrants who have been legal residents of the U.S. for more than five years, and legal immigrants who are children, elderly, or disabled may receive SNAP, if eligible.
- All undocumented immigrants are ineligible for SNAP benefits.
- Able-bodied, childless, and unemployed adults under age 50 are limited to three months of SNAP benefits.

SNAP Items Eligible for Purchase

- The items eligible for purchase with SNAP benefits are defined at the federal level, and include:
 - Foods for the household to eat, such as:
 - Breads and cereals
 - Fruits and vegetables
 - Meats, fish and poultry
 - Dairy products
 - Seeds and plants which produce food for the household to eat
- Households may not use SNAP benefits to buy:
 - Beer, wine, liquor, cigarettes or tobacco
 - Any nonfood items (i.e., pet foods, soaps, paper products, and household supplies)
 - Vitamins and medicines
 - Food that will be eaten in the store
 - Hot foods (exceptions may be granted to allow the purchase of hot foods during a disaster)

HHSC Priority Initiatives

- Medicaid Managed Care Expansion
- Eligibility Business Process Improvements
- Contracting Improvements

Medicaid Managed Care Expansion: Overview

- During the 83rd Legislature, 2013, HHSC was directed to expand its STAR+PLUS Medicaid managed care model to 164 additional counties making it a statewide program.
- HHSC was also directed to include individuals with intellectual and developmental disabilities who are receiving services through a 1915(c) waiver or an intermediate care facility to begin receiving their acute care services only through the STAR+PLUS program.
 - The 1915(c) waivers are: Texas Home Living, Community Living Assistance and Support Services, Deaf Blind with Multiple Disabilities and Home and Community-based services.
- These expansions were effective September 1, 2014.
 - The legislature directed that additional populations be served and more services accessed through the Medicaid managed care programs in Texas.

Medicaid Managed Care Expansion: Current Initiatives

- The following initiatives are intended to result in improved access to care, health outcomes, quality of care and cost-effectiveness.
 - On March 1, 2015, HHSC will begin delivering nursing facility services for most adults ages 21 and older through the STAR+PLUS managed care model.
 - Provide home and community-based attendant services and supports to Medicaid recipients with disabilities through Community First Choice.
 - These services will be operational in the fee-for-service model, STAR+PLUS and STAR Health on June 1, 2015.
 - The Texas Dual Eligible Integrated Care Project (known as the Dual Demonstration) is a fully integrated managed care model for individuals who are enrolled in Medicare and Medicaid and is scheduled to begin March 1, 2015.
 - STAR+PLUS MCOs that provide Medicaid and care coordination services for elderly and disabled Medicaid enrollees in six counties will also cover Medicare benefits.
 - STAR Kids is a managed care model program for children and youth age 20 and younger who have Medicaid through SSI or 1915(c) waiver programs.
 - It is scheduled to begin September 1, 2016.

Eligibility Accomplishments

- In 2007, only 58 percent of SNAP applications were processed on time, and the state had a 7 percent error rate – well above the national average
- Today, 97 percent of applications are processed on time, and SNAP error rates are less than 1 percent – an all-time low for Texas and among the best in the nation
- The improvements have allowed the state to serve more people without an increase in staff resources:
 - The eligibility caseload has increased 16 percent since FY2011, while the number of eligibility staff has remained relatively constant.
 - Cost per case fell 15 percent, from \$108 in FY2011 to \$92 in FY2014.
 - In 2014, the federal Health Insurance Marketplace sent more than 268,000 applications to Texas. Despite this increase, Texas remained timely and accurate in eligibility determinations.

Eligibility Accomplishments

- Improving self-service has increased efficiency for the state and allows working Texans to apply at times and places convenient for them.
 - The decrease in overall office visits help state staff devote more time to those who need extra help.
 - 70 percent of applications are now submitted online, up from 14.6 percent in January 2012.
 - Clients can now renew benefits online, with 54,000 online renewals in December.
 - A new app allows applicants and clients to use a cell phone to take a photo of documents, like a paycheck stub, and send them to the state.
- HHSC estimates these changes saved as much as \$41 million in reduced printing, postage and document imaging costs for the state between January 2012 and December 2014.
- Payments for call centers and document processing fell \$12.7 million between FY 2012 and FY 2014 while monthly caseload increased by more than 600,000.

Contracting Overview

- HHSC consolidated procurement services in 2013.
 - The HHS procurement division now makes purchases of administrative and client services for HHS agencies.
 - The consolidation of procurement services is an ongoing process.
- The HHS procurement division is working to identify contracting solutions that meet our unique needs.

Ongoing Improvements

- HHSC has implemented steps that go above and beyond current law:
 - Disclose any emergency or sole-source contracts, as well as the reason for citing those as emergency or sole-source eligible
 - Review existing contracts for conflicts of interest in both procurement and contract management and development of conflict of interest safeguards that go beyond those currently in state law
 - Require the Executive Commissioner or Chief Deputy Executive Commissioner signature on large or complex contracts

Ongoing Improvements

- HHSC has established new policies to ensure a higher level of scrutiny for purchases of \$25,000 or more through DIR contracts:
 - The project must be approved by IT and Legal staff before seeking quotes
 - Projects valued at \$25,000 or more will be sent to all companies approved by DIR for that service or product category so that all eligible companies have the opportunity to submit a bid
 - We will follow the same evaluation process used for competitive procurements, including negotiations
 - These policies were effective January 5, 2015

Ongoing Improvements

- HHSC is also working on continued improvements to all contracting systems:
 - Reviewing all purchases, to identify goods and services that could be procured by TPASS or DIR as Term or Master Contracts for the state
 - Reviewing the adequacy and effectiveness of ethics disclosures
 - Continuing to enhance expertise of the Procurement and Contracting Services division
 - Identifying needed improvements to the HCATS contract management system and ensuring all agencies use this one system for contract management

Budget Overview

Comparison of Current Biennium to H.B. 1

| Description | | FY 2014-15 LBE | FY 2016-17 Introduced Bill |
|--|--|-------------------|-------------------------------|
| GOAL A - Enterprise Oversight and Policy | | \$ 2,011,690,805 | \$ 1,959,223,009 |
| GOAL B - Medicaid | | \$46,518,632,582 | \$51,190,385,922 |
| GOAL C - CHIP | | \$ 1,949,413,879 | \$ 1,664,284,344 |
| GOAL D - Encourage Self-Sufficiency | | \$ 355,649,128 | \$ 383,218,195 |
| GOAL E - Program Support | | \$ 304,877,732 | \$ 270,302,885 |
| GOAL F - Information Technology | | \$ 181,182,398 | \$ 114,997,696 |
| GOAL G - Office of Inspector General | | \$ 127,002,558 | \$ 116,065,229 |
| TOTAL AGENCY REQUEST | | \$51,448,449,082 | \$55,698,477,280 |
| General Revenue | | \$19,758,335,441 | \$22,386,314,525 |
| General Revenue - Dedicated | | \$ - | \$ - |
| Other Funds | | \$ 1,158,891,229 | \$ 878,968,768 |
| Federal Funds | | \$30,531,222,412 | \$32,433,193,987 |
| TOTAL, METHOD OF FINANCING | | \$51,448,449,082 | \$55,698,477,280 |
| FTEs | | 12,773.5 | 12,773.5 |

Summary of H.B. 1

Client Services

- Medicaid and CHIP caseload growth is largely included:
 - Medicaid – 4,187,977 in 2016 and 4,286,427 in 2017
 - CHIP – 363,787 in 2016 and 383,428 in 2017
- Consistent with past appropriation practices, full funding for cost trends related to medical inflation, utilization, or higher acuity is not included.
- TANF Cash Assistance Programs (Basic, State Two-Parent, and One-Time Payments) are funded slightly higher than 2015 levels.

Summary of H.B. 1

Program, administrative, and support operations are generally maintained at FY 2014-15 service levels with the following exceptions:

- Provides an additional \$10 million GR per year to support mental health grant program for veterans
- Reduced funding for travel in administrative areas and eligibility related to the 10% reduction proposal (\$2.8 million GR and \$6.4 million All Funds)
- Eliminated capital budget authority and funding related to Enterprise Data Warehouse (\$10.6 million GR and \$78 million All Funds)

Summary of Exceptional Item Requests, H.B. 1

| (in millions) | FY 2016 | | FY 2017 | | BIENNIAL TOTAL | | FY 16 | FY 17 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------|-----------------|
| | GR/GR-D | All Funds | GR/GR-D | All Funds | GR/GR-D | All Funds | FTEs | FTEs |
| H.B. 1 Introduced | \$ 11,115.4 | \$ 27,679.0 | \$ 11,270.9 | \$ 28,019.5 | \$ 22,386.3 | \$ 55,698.5 | 12,773.5 | 12,773.5 |
| EXCEPTIONAL ITEMS: | | | | | | | | |
| 1. Maintain Medicaid Current Services | 513.2 | 1,229.0 | 1,202.1 | 2,870.4 | 1,715.3 | 4,099.4 | - | - |
| 2. Maintain Claims Administrator Costs | 19.1 | 80.6 | 25.5 | 108.6 | 44.6 | 189.2 | - | - |
| 3. Maintain Current Services to Support Caseload Growth and Annualization of Costs | 10.7 | 19.8 | 11.7 | 23.9 | 22.4 | 43.7 | 12.2 | 12.2 |
| 4. Regional Laundry - Replacement of Equipment and Trailer | 2.3 | 2.3 | - | - | 2.3 | 2.3 | - | - |
| 5. Maintain Defense on Children's Litigation | TBD | TBD | TBD | TBD | TBD | TBD | - | - |
| 6. Increase Capacity of Existing Family Violence Providers | 1.5 | 1.5 | 1.5 | 1.5 | 3.0 | 3.0 | - | - |
| 7. Security Enhancements for Regional HHS Client Delivery Facilities | 0.8 | 1.1 | - | - | 0.8 | 1.1 | - | - |
| 8. Food Service Management & Nutrition Care Management Software Expansion to all Sites | 1.4 | 1.9 | 0.4 | 0.5 | 1.7 | 2.3 | - | - |
| 9. Increase HHS Recruitment and Retention | 79.6 | 177.3 | 81.6 | 182.8 | 161.2 | 360.1 | - | - |
| 10. Cybersecurity Advancement for HHS Enterprise | 5.8 | 7.4 | 5.7 | 7.3 | 11.5 | 14.7 | 2.0 | 2.0 |
| 11. Network, Performance, and Capacity | 8.0 | 11.0 | 2.1 | 2.8 | 10.1 | 13.8 | - | - |
| 12. Improve HHS Enterprise Telecommunications | 6.4 | 8.5 | 2.7 | 3.8 | 9.2 | 12.3 | - | - |
| 13. Improve Medicaid Staffing and Support | 0.6 | 1.5 | 0.5 | 1.4 | 1.1 | 3.0 | 17.3 | 17.3 |
| 14. Improve Employee Technical Support | 3.5 | 5.3 | 2.8 | 3.9 | 6.3 | 9.1 | 3.0 | 3.0 |
| 15. Seat Management | 1.1 | 2.1 | 1.2 | 2.3 | 2.3 | 4.4 | - | - |
| 16. Enterprise Data Warehouse | 4.3 | 35.5 | 6.3 | 42.5 | 10.6 | 78.0 | - | - |
| Total Exceptional Requests | \$ 658.3 | \$ 1,584.8 | \$ 1,344.1 | \$ 3,251.7 | \$ 2,002.4 | \$ 4,836.4 | 34.5 | 34.5 |
| H.B. 1 Introduced + Exceptional Items | \$ 11,773.7 | \$ 29,263.7 | \$ 12,615.0 | \$ 31,271.2 | \$ 24,388.7 | \$ 60,534.9 | 12,808.0 | 12,808.0 |